

## *Failed California Bank To Reopen as Branch Of Long Beach Bank*

*By a WALL STREET JOURNAL Staff Reporter*

WASHINGTON—The four offices of Capistrano National Bank, San Juan Capistrano, Calif., will reopen today as branches of Farmers & Merchants Bank, Long Beach, Calif., the Federal Deposit Insurance Corp. said.

Capistrano National was declared insolvent Friday by H. Joe Selby, deputy comptroller of the currency. Mr. Selby said that substantial loan losses exhausted the bank's capital; he named the FDIC as receiver. It is the 21st commercial-bank failure this year, continuing the rate of last year, when 79 commercial-bank failures set a post-Depression record.

The failed bank's deposits of \$41 million in 8,900 accounts will be assumed by Farmers & Merchants. The total includes \$2.5 million in brokered deposits, \$1.5 million of which was placed for the federal Bureau of Indian Affairs, FDIC officials said. The bureau, an Interior Department agency, has been criticized in the past by the FDIC over the use of brokered deposits.

A bureau spokesman maintained the agency's right to continue placing funds through deposit brokers. "It is our responsibility to use the resources of the Indian tribes to the best advantage for them," Vincent J. Lovett said. "If the bank isn't safe and shouldn't be insured that is their (FDIC's) responsibility."

Farmers & Merchants will purchase the failed bank's installment and real-estate loans and certain other assets for \$13 million, in addition to paying the FDIC a premium of about \$3 million. The FDIC will advance Farmers & Merchants \$33.6 million while retaining assets of the failed bank with a book value of \$37 million for liquidation.